

A WORK PROJECT, PRESENTED AS PART OF THE REQUIREMENTS FOR THE  
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# Internationalization Business Plan of Resul, Equipamentos de Energia SA to Equatorial Guinea

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*Field Lab on Entrepreneurial and Innovative  
Ventures*

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## 1. Executive Summary

The present Business Plan has the main goal of analyzing the expansion of the Portuguese company *Resul, Equipamentos de Energia S.A.*, a utility sector company, to the Republic of Equatorial Guinea. The expansion choice was driven by two sets of factors: **(1)** firstly the internal ones – the company wants to decrease its dependency on the economic cycles of their primary market, Angola, in terms of revenues and risks; and the Resul’s core capabilities, diversified portfolio of products, and learning experience in other African markets (dealing with corruption) enables them to explore a high number of markets in the continent; **(2)** secondly, in a more sales-growing oriented perspective, by the unique economic and financial conditions of this market: higher GDP per capita in Africa, healthy financial situation due to their oil exports revenues, and government’s objective to build the essential infrastructures to the development of other key areas of the country<sup>1</sup>, through the plan “Horizon 2020”, while engaging in new megalomaniac projects such as the construction of a whole new capital city in the continental part of the country, named Djibloho.

The expansion is expected to be mainly of *Resul*’s business area of electrical energy distribution, since it is estimated that the electrification rate of the country is between 35-40%, along with some other areas with lower weight such as gas and heating distribution and renewable energies. This is aligned with one of the key policies of the country government in the last years: pull the country to a development path which goes hand in hand with the need of an effective and reliable system of energy distribution.

The 3-year plan presented in this report concludes an implementation cost around 45.000€ with an agent operating in the market and negotiating on the behalf of Resul with the regulators and installed companies, while the central structures of the company diversifies its channels through other operating entities.

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<sup>1</sup> See Exhibit A – Brief Macroeconomic Profile of the Republic of Equatorial Guinea.

## 2. Business Description

### 2.1 The Company

Resul, a Portuguese SME, was created in 1982 under the designation of *Resul – Sociedade Comercial de Indústrias e Importações, Lda*. It was, and is, a company focused on the utility sector. In June 2000 it was transformed into a private share company with an enlarged social capital (presently 1.500.000€). At that moment it changed its name to the one used nowadays: *RESUL – Equipamentos de Energia, SA*.

In December 2003 the company has obtained its Certificate of Registration being assessed as meeting the requirements of NP EN ISO 9001:2000, which register companies focused in quality management and in high degrees of clients' satisfaction. The pillars of the company's growth through its almost thirty years of existence were, and are still today, based in three key factors: a strong investment and development of their primary activities in their value chain through the participation and partial ownership of some factories and production processes of core products to their businesses; taking market opportunities both in and out of the national borders – therefore *Resul* can be classified as a very internationalized company; and the ability of establishing good networks and partnerships for the distribution and commercial areas.

Nowadays the company presents a very flat organization, with only mainly two hierarchical levels, which enables for a fast decision-making process, fact that dominates the set of relations within the company and its subsidiaries across Africa<sup>2</sup>.

The company's portfolio of products varies through 7 different areas of the utility sector<sup>3</sup>, which will be further developed in the point 2.3 - P&S and Markets. In Portugal their main clients are all the big energy regulators and distributors such as EDP, EDA, EEM, Galp Energia, and REN which have the same features as part of the clients that

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<sup>2</sup> Exhibit B – Resul Organizational Structure

<sup>3</sup> See Exhibit C – Products Offered by Business Areas, for a presentation of all products commercialized in Resul.

Resul also has in the foreign markets: State-owned companies and regulators of the utilities sectors, besides installers and construction companies.

Resul has developed itself as a creative and customer-oriented company where projects are studied, developed, produced and commercialized in the form of equipment supply solutions for distribution of energy (gas and electricity), telecommunications, public lighting, water networks and also solutions linked to renewable energies.

## 2.2 Value Proposition, Vision, Mission, and Strategic Objectives

The following table presents the Value Proposition, Vision, Mission and International Strategic objectives to the period of 2010-13 of Resul:

<b>Value Proposition</b>	Resul products promise to give to its customers the best value for their money, with innovative, high quality and state-of-art solutions for energy distribution equipment.
<b>Vision</b>	Increase economic development and sustainability through the design, development, manufacturing (through subsidiaries) and commercialization of equipment solutions for energy distribution networks, as well as for other sources of social welfare (public lighting, telecommunications, water and renewable energy), growing its business through internal and external expansion of its network of partners.
<b>Mission</b>	Resul wants to be an increasingly global company in its major areas, with the international market representing more than 85% of turnover until 2013
<b>Strategic Objectives</b>	(1) Achieve 85% of the revenues from Exports; (2) Increase Profitability in 24,5%; (3) Increase revenues in Angola by 2.000.000€; (4) Get at least three new clients in Angola; (5) Close supply deal with <i>Luanda Fábrica</i> until the end of 2012; (6) Enter in three new markets with revenues superior to 80.000€/year; (7) Get a new pre-paid project.

**Table 1 - Value Proposition, Vision, Mission and Strategic Objectives of Resul to the period 2010-13**

It is important to have in mind that the presented Value Proposition, Mission, and Vision are not, at this time, the official ones from the company, but rather a proposal that the author in alignment with his advisor proposed the company to adopt<sup>4</sup>. Also since this work aims to evaluate mainly the international scope of the company, the strategic objectives considered are the ones from the Export Department.<sup>5</sup>

Even more, Resul has a **particular strategic objective to the Equatoguinean market**, if they start doing business there, which is **achieving revenues of 200.000€ per year, at the end of the second year in the market**. For further objectives as well as the related Key Performance Indicators for this market please refer to the point 8.4 – *Memo*.

<sup>4</sup> For the official ones consult Exhibit D – Official Vision and Mission.

<sup>5</sup> To know the objectives, and the global ones, consult Exhibit E – Strategic Objectives of Resul.

## 2.3 P&S and Markets

Regarding the P&S offered Resul has many areas of activity being, in consequence, their portfolio of products well diversified within the different utility sectors. The areas of activity go from Electricity, Gas, to Renewable Energies, being these three the main ones. Electric and Lightning Networks is one of the seven major areas of intervention of *Resul*, and the main one in terms of exports (92% in 2010), where their products are known to be the ones such as: electrical substations; Equipment for aerial and underground networks lines; Switchboards, and distribution cabinets; Meters and other measuring and control devices; Complete packages for all kinds of rural or urban electrification contracting; and automation solutions and intelligent protection to networks. Regarding the gas distribution networks (natural gas and LPG) their core products are, among others, general break valves; accessories and equipment for primary and secondary distribution networks; Pressure regulators of natural gas and LPG; Copper piping and respective accessories; Meters; Complete transformation packages for natural gas equipment. Also in the area of renewable energy the company presents products linked with solar energy solutions for energy generation and production of integrated systems for sanitary heated water plus pools heating<sup>6</sup>. The wide scope of products offered by the company can turn into a potential source of differentiation, and a sustainable competitive advantage since there is a cost and expertise barrier in the diversification of a portfolio (companies operating in the gas industry will need time and money to develop competencies in other areas for instance). Concerning the markets it is possible to observe that Resul has been always a much internationalized company. Nowadays the company exports to 27 countries, 13 of them being regular clients, so different as Angola, Burundi, Finland, Macau, or Russia. In terms of local support infrastructures there are only in three of these countries being

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<sup>6</sup> To know further specificities from the products refer again to Exhibit C.

them in Angola, Mozambique and Cape Verde<sup>7</sup>. Furthermore it is possible to acknowledge that the international side of the company has a great and growing importance on the total share of revenue , as shown in the following table:

	2008	2009	2010	2011
<b>Total Revenues</b>	17.533.560€	18.944.867€	17.268.743€	20.000.000€
<b>% Exports</b>	76%	61%	55%	65%

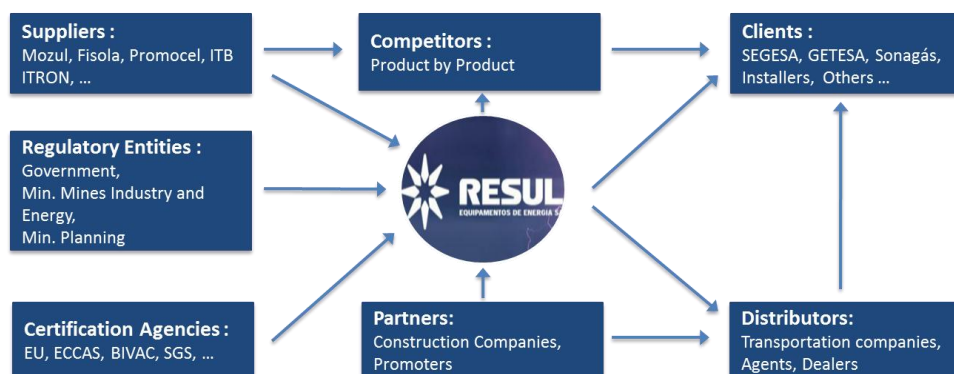
It is visible that the objective 85% of revenues

**Table 2 - Weight of Exports in Total Revenues of Resul**

being result of Exports was close to being achieved before the international crisis.<sup>8</sup>

## 2.4 Operating Model – Industry Mapping and Value Chain:

The following figures aims to expose the agents and players that Resul will have to deal with if entering the Equatorial Guinean market, and its interrelations:



**Figure 1 - Industry Mapping of Resul in Equatorial Guinea**

There are two important factors to highlight in this Industry Mapping: Firstly there are situations that a company is a Supplier in one market and a Competitor in other market. As a principle, and to maintain healthy cooperation ties, Resul do not enter in the area of expertise of its supplier/competitor in a market where it can emerge a rivalry between both. Secondly Clients might be very different as the ones presented in the figure. A very common business practice of Resul, besides dealing with the utility sector regulators, is to approach the companies that win the official tenders launched by state-

<sup>7</sup> For further details on the countries where Resul exports regularly please consult Exhibit F – Main Destinies of Resul's Exports.

<sup>8</sup> In order to consult Resul's Financial Documents for the period 2008-2010 for a better understanding of their performance please refer to Exhibit G- Financial Documents of Resul for the period 2008-2010.

owned companies as for instance SEGESA<sup>9</sup>, and offer itself to be a supplier of some specific materials required to a certain project.<sup>10</sup>

Regarding Resul's Value Chain and according to the company's Financial Department, it has the following cost structure:

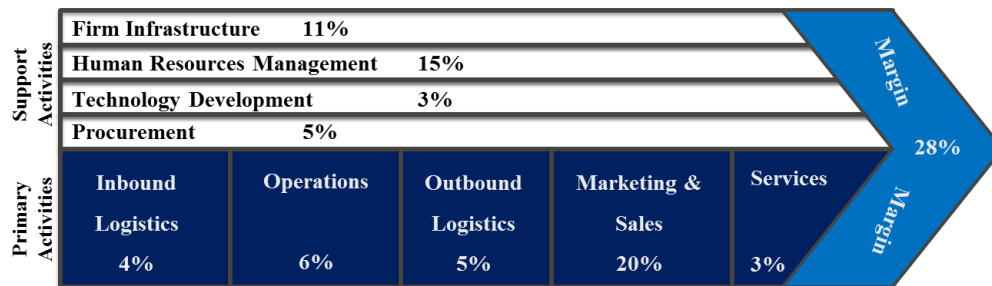


Figure 2 - Value Chain of Resul in 2010

As it can be seen the weight of the support and primary activities is very even (34% for Support Activities, and 38% for primary activities), which if taking in consideration that this is almost equal to the separation between variable and fixed or semi-fixed costs, it shows that the company can adapt pretty well its cost structure in years of underperforming. Furthermore it is important to mention that the activities that have more prominence in sustaining the company's competitive advantages are: Marketing and Sales which include all the commercial contacts and presentation to the official tenders; Procurement which refers to the activities of choosing the right suppliers and participating in their decision process; and also the Firm Infrastructure that includes the activities of managing all the three Delegations in Africa and the Central Structure in Lisbon. Also important to refer about the company Value Chain is that the production costs are not imputed to Resul since they occur in their suppliers and in their participates, such as Promocel, Fisola, and Mozul<sup>11</sup>. Nevertheless Resul has in some cases the power to state the business margins in those participates, which can turn into a cost advantageous position, important in more tough business environments.

<sup>9</sup> Regulator and distributor of the Equatoguinean electrical market which will be further presented in Point 4.1.

<sup>10</sup> For further specifics on how agents and players identified in the Industry Mapping interact with Resul please consult *Exhibit H- Industry Mapping* in detail.

<sup>11</sup> For an additional analysis on Resul's Business Model refer to Exhibit I.



### 3. Business Environment:

#### 3.1 Market and Environment Analysis:

Equatorial Guinea is considered to be a tough business environment, although it seems very attractive in financial terms. The Heritage Foundation 2011 Report classified the country in the last 10 years in its Index for Economic Freedom as between a Repressed and Mostly Unfree environment, equal to Angola, the main international market of Resul nowadays<sup>12</sup>. Nevertheless, the best indicators in the IEF 2011 for the country are Fiscal and Monetary Freedom, and Government Spending. Also, a good measure to the toughness of the market is through the Index of the World Bank Reports for 2011 on the easiness of Doing Business, where Equatorial Guinea is ranked 155<sup>th</sup> out of 183 evaluated countries. The country is being pushed downwards specially by the indicators of Starting a Business, Resolving Insolvency, and Paying taxes<sup>13</sup>. Although both these indexes have some limitations, they give a fair portrait on the compared toughness of the market and business conditions that Resul will have to face.

Regarding the Equatorial Guinea market of utilities, it is still an underdeveloped one, although with growth perspectives that reveal to be higher than comparable markets. In order to better understand the market environment a PEST Analysis was conducted:

**Political & Legal:** In the **political aspects** it's important to mention that the political power is mainly concentrate on the President Theodore Obiang Nguema Mbasogo, who won the last elections in November 2009 with a majority of 95,6%. It's a regime that has many similarities with a dictatorial system, where the areas of intervention of the President and his family are vast. Nevertheless it has been a stable environment since there is no significant opposition to the regime. Public Investments, which are the main type of commercial relations that Resul will have, are made by public auctions (Best

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<sup>12</sup>See Exhibit J - Evolution of the Index of Economic Freedom in Equatorial Guinea, and the country Score in the various indicators.

<sup>13</sup> See Exhibit K - Doing Business Index for Equatorial Guinea – World Bank Report 2011

Price Sealed Bid) published the results in the National Official Journal. As a member of the Economic Community of Central African States (ECCAS), the government has the right to give preference to regional producers and suppliers, while the foreign companies that are elected to those public works will have mandatorily to subcontract local entities to participate in part of the projects. The **legal context** presents itself as very tight and regulated. Equatorial Guinea has a legal context driven to absorb Foreign Direct Investment (FDI), however there are some breaches in it that can cause some sense of insecurity in the foreign investors. It is estimated by the World Bank that to start a business there it will be needed to start 21 legal procedures which take an average of 137 days to be concluded. Even more time is spent if it is chosen to construct a support infrastructure in the country (15 procedures and an average of 166 days). By being a member of the ECCAS the country has some specific trade regulations, tariffs and barriers. Although much of the international commercial barriers have come to an end by 1992 there are still some protectionist measures heavily based on taxation of foreign goods. The type of products that Resul wants to export to the country are taxed in 10% due to the common customs duties, plus the Community Integration Tax (CIT) that goes from 1-1,4%, applied by all ECCAS's members. Regarding the Specific taxes of the country the tax legal context is characterized by an Added Value Tax of 15%, a Commercial Tax of 1%, and a Special Rights Tax (30%).

**Economic & Financial:** As it was previously mentioned in economic and financial terms this market presents itself as a very attractive one. Most of it is related with the production and oil reserves that represent 73,8% of their GDP according to the Economist Intelligence Unit (EIU). Other areas worth to mention are the industries of oil derivatives and gas (11,6%), and construction (7,6%). The country economy has recently being registering high values of growth (10,8% in 2008 and 5,3% in 2009) but

in a decreasing tendency (estimated to be 2% and 3% in 2010 and 2011 respectively) due to the slowdown of the oil prices in the international markets. Nevertheless the non-oil related sectors are expected to grow by 10% in the next years. In 2009 and 2010 these sectors already experienced a growth of 27,6% mainly driven by investment in public infrastructures. In fact this is one of the key policies of the government: decrease the dependency on the oil sector by investing heavily in infrastructures that can diversify Equatorial Guinea international offer. Even more it exists an expenditure plan until 2020- “Horizon 2020”-, to support this heavy levels of public spending in order to decrease poverty, diversify exports and create employment (last data, 2009, revealed an estimate of 22,3% unemployment rate, by CIA). According to BEAC (Banque des Etats de l'Afrique Centrale) inflation rates have been in average 6%, despite the higher growth for the period 2009-2011 (7,1%, 8,2% and 7,5% respectively). Interesting to Resul are the projects such as constructing a second unit of gas liquefaction until 2014, which is planned to have a capacity high enough to be the hub of all countries in the region, a barrage in Rio Mundi and the project of the city of Djibloho. The currency used is the CFA Franc which is the common currency of 14 countries located in West Africa (WANU) and the Community Economic and Monetary of Africa Central (CEMAC). The foreign exchange rate has a fixed parity with the Euro at 655.957 CFA Franc at XAF to 1 EUR<sup>14</sup>, which implies that potential exchange rates related risks are reduced. Regarding products imported it is possible to highlight four major groups, according to the International Trade Center (ITC) for 2009: Mineral fuels, oils, and distillation products (66,85%); Boilers, Machines and nuclear reactors (8,99%); Electric equipment (4,71%); and Articles of iron or steel (3,11%).

**Social & Cultural:** Regarding the social and cultural context it is possible to determine that Equatorial Guinea is still a medium level development country (according to the

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<sup>14</sup> To consult official information about interest rates please refer to Exhibit L.

Human Development 2011 Report for UN the Equatoguinean HDI score is 0.537). This is a reflex of the weak income distribution in the country, since although it has the higher GDP per capita in Africa, it is only 41<sup>st</sup> in terms of development in the continent. Regarding again the indicators of weak development there is the electrification rate, with values estimated to be between 35-40%<sup>15</sup>, which also presents as a business opportunity for Resul. Furthermore, poverty is an issue in the country and the government even makes its eradication as one of their key policies in the plan “Horizon 2020”, which aligned with the estimated high unemployment rate (22,3%) creates some social tension. Nevertheless within the governance indicators of the Doing Business Index the country is classified as an average risk country in what concerns political stability, and violent crimes. Even more in the Global Peace Index 2011 the country is classified in 75 among 153 countries evaluated. It is also important to mention that corruption is a big issue within government officials, which is both a threat and/or an opportunity in business depending on the quality of the lobbying. In terms of the Corruptions Perceptions Index 2011, Equatorial Guinea is ranked 172 out of 183 evaluated countries, and classified as Highly Corrupt<sup>16</sup>.

**Technological:** Regarding the country’s transport and telecommunication infrastructures, it is possible to understand that there has been an effort from the government to improve them through the last years. Despite the inexistent railway infrastructure, since the beginning of the century public spending has increased to modernize the roads and the connections between the airports (Malabo, Bata, Annonbón and Mongomo) and maritime ports (in Malabo, Bata, and Luba)<sup>17</sup> with key cities. Regarding the electrical power supply in the country, this is considered to be unreliable due to the ageing equipment and poor management of SEGESA, the company that owns

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<sup>15</sup> Information given by Resul. Also see Exhibit M – Equatorial Guinea as a member of PEAC.

<sup>16</sup> For more information on this index please refer to Exhibit N – The Corruption Perception Index in Detail.

<sup>17</sup> See Exhibit O for Main Ports in Equatorial Guinea and Resul transportation costs

and operates the electricity sector. In terms of telecommunications it is possible to describe the sector as a more modernized and stable one. It is installed a fixed-link, digital efficient network in most urban areas and the mobile-coverage is also vast. Nevertheless internet access remains limited.

### **3.2 Market and Industry Dimension:**

From the utility sectors that represent the majority of the products exported by Resul there can be highlighted two key areas: gas and electricity. When crossing the international standard codes of Resul's products and the last available information of the ones imported by Equatorial Guinea (provided by the ITC for 2009), it is possible to have a fair measure of the size of this market, even more when all data, as referred before, points to the growing of these sectors in absolute and percentual terms. Therefore the potential market size is estimated to be around 90M €<sup>18</sup>.

## **4. Market Specifics:**

### **4.1 Market Segments and Target:**

As in other similar markets the main target clients of Resul are the state-owned distributors and utilities companies, owning the monopoly of activities, or the companies that are assigned to the projects of public expenditure launch by the referred entities (this companies will be further presented and explained in point 5.3 and 5.4). In Equatorial Guinea the electricity sector is owned and operated by Sociedad de Electricidad de Guinea Ecuatorial (SEGESA) in which the government holds a 62% stake, while the Spanish company INFINSA has the remaining position. As referred before, SEGESA power supply is unreliable, as a result of ageing equipment and poor management (EIU). Outside the main urban areas there are few zones that receive regular electrical supply which has been a feature of the country that the government and SEGESA jointly are trying to correct. The gas sector, both the exploring and the

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<sup>18</sup> See Exhibit P – Equatorial Guinea Imports crossed with Resul's products.

distribution is regulated by Sonagás, also a state-owned company that has a very stable financial situation due to the potential of gas in the region that it has been being explored. Finally on the telecommunications service, an area that has low weight in the exports revenues for Resul, but nevertheless it's a market opportunity, the sector is regulated by GETESA, where France Telecom has a share of the social capital of 40%, which has been investing heavily in the modernization of the sector lately.

#### **4.2 Competitors and Market Rivalry:**

Due to the diversified portfolio of products hold by Resul, there are no direct competitors to the company in all its areas of activity at the same time, but instead a competition product by product<sup>19</sup>. The fact that Resul might provide a variety of services while other companies do not have that diversity of expertise can be translated into a sustainable competitive advantage, and an important point of differentiation. Nevertheless the edge in this type of industry, and in a market with the conditions presented before, will be much more based by companies that, along with a competitive pricing, have a well-developed network of contacts and influences in the right places. Rivalry might therefore be from a different type than companies from more developed countries are used to deal with, although it will not be new for Resul, since there are some markets where they operate that present themselves as similar to this one, as it is the case of Angola, S. Tomé and Príncipe, or Burundi.

Nevertheless and bearing in mind that the expected Resul's main area of expansion to this market is the electrical one, it is important to mention a very well positioned competitor in this market: The Chinese company Sinohydro Group, which has already in hand very valuable projects in the areas of creation and distribution of electricity, and has also probably a good network of relations and influences in the market.

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<sup>19</sup> For the listing of known competitors in other markets please refer to Exhibit Q - Identified Formal and Potential Competitors in the Global Market.

## 5. Competitive Strategy and Resources:

### 5.1 SWOT - TOWS Analysis:

The following TOWS table, derived from a SWOT analysis,<sup>20</sup> aims to provide a specific set of actions that would benefit Resul when crossing its features as a company and the specificities of the Equatoguinean market:

External Factors Internal Factors	<b>Opportunities (O)</b>	<b>Threats (T)</b>
	1. Monetary Stability 2. Financial Capacity 3. Weak Utilities Distribution 4. Plan “Horizon 2020” 5. Expected Big Projects	1. Heavy Taxation 2. Corruption 3. Regulators Network of Relations 4. Potential Entrants
<b>Strengths (S)</b> 1. Diversified Portfolio, Markets and Business Areas 2. Value Chain Control 3. Margins Control 4. Certifications and Innovation 5. Presence in similar markets	-Show the quality of their products against the installed ones; -Try to work directly with the regulators and present customized solutions to stay in their short lists; -Use the experience in similar markets as Angola, Mozambique, or Burundi.	-Taxation might not be a problem since all this kind of products are imported and subjected to the same taxes; -Play with margins correctly and with contract management to overcome corruption issues; -Offer a more diversified set of products than the competition.
<b>Weaknesses (W)</b> 1. No Maintenance Services 2. No Installation Services 3. Financial Resources 4. Capacity from factories	-Partnership with a company that ensure installation and follow up; -Reorganize factories suppliers to answer strongly to the first project in order to be preferred in the following ones;	-Get an agent that knows well the market and how it works to know in advance how to deal with the limits of capacity; - Only consider a more extensive type of entry after validation of the market.

Table 3 - TWOS Analysis of Resul in Equatorial Guinea

### 5.2 Pricing Strategy:

Regarding the pricing strategy that would suit this market, and bearing in mind the conditions presented before, Resul should make a first approach with a lower initial margin for their products in order to increase the possibilities of entering and winning the first projects. This could also be a way to decrease the value of possible installed relations that the competitors have with the public regulator entities, and therefore a way to overcome the corruption effect. If Resul’s offers are substantially inferior to the ones offered by the competitors, without being associated with lower quality products<sup>21</sup>, the network of relations might start shifting its way. As the knowledge of the market increases, in line with the number of projects, Resul can start slowly increasing the

<sup>20</sup> For a more complete SWOT analysis please refer to the Exhibit R – SWOT Analysis.

<sup>21</sup> According to Dr Octávio Santos –AICEP- there is a sense in the country that Chinese products known for a low quality and low price are not the solution for the Equatoguinean government objectives. There have been some bad experiences with Chinese constructors and public infrastructures. This information is very important also due to the position of Chinese products in Resul business areas as it will be explored further below.

margins of their businesses to the usual ones practiced in their other markets – between 8-12,5%. A good way to understand the market is also by understanding the options followed by the agents and the margins asked by them. Since their reward system is based solely on a percentage of the closed deals, that can change from project to project, an effective and comprehensive analysis of their behavior might be a way for Resul to play effectively with the business margins. Standard procedure is that on the presentation of a certain deal the agent negotiates its margin with Resul, which usually varies from 1-5% of the business. Due to the greater knowledge about the market it is usual that the margin asked correlates positively with the degree of certainty that this one has that he can win the project. Therefore in the case that an agent asks in a certain business for a higher margin, instead of bargaining against that margin, Resul could build on that information understanding that a higher margin for the agent implies a high degree of certainty that Resul's offer is better than the competition, which shows that there is some room for increasing the business margin and take advantage of that information. The opposite happens when the agent asks for lower margins, meaning that he is not certain that Resul is in good position to top the project. Bearing this in mind the company should lower its margin in that business in order to increase its chances.

The heavy taxation should also be a factor to have in mind while defining pricing in a more medium-long term perspective. Nowadays there is no considerable value creation in the areas where Resul operates by Equatoguinean companies or from other country within ECCAS which would enjoy a fiscal advantage over foreign companies. Presently Resul's competitors in the market are submitted to the same heavy taxation but nevertheless in the medium-long run this could turn into a problem if the home industry starts growing<sup>22</sup>.

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<sup>22</sup> Please refer to Exhibit S - Equatorial Guinea Top Imports Partners in 2009 in the Areas of Resul's products



### 5.3 Distribution Channels and Sales Strategy:

Regarding the Distribution Channels that should be used by Resul to this market, there can be identified two distinctive ones: (1) approaching directly the construction companies, or installers that win the public projects, and build a possible long lasting relations with them - this way there is no need for an agent to work as an intermediate which could turn into an increase in revenue that would go directly to Resul -; (2) applying directly to the official tenders hold by the public regulators to become suppliers of a certain project, where the action of an on-field agent would be required. In a market with the levels of corruption and as the ones present in this market, having an agent that knows well the market and how to deal with the players installed is crucial to succeed (the tasks of the agent and other specifics will be developed in point 8.1). Even more to keep the agent motivated his reward system should be solely based on a percentage of the closed deals, which should go from the mentioned 1-5% maximum. As Equatorial Guinea has a very centralized and concentrated source of power, all the decision come from its capital city: Malabo. The same happens with the business opportunities that could suit Resul, therefore it seems logical to get an agent in Malabo, and it seems that could be also profitable the hypothesis of having other one in Bata (Rio Mundi - the continental part of the country), since a megalomaniac project is being set in action there, the mentioned city of Djibloho, which is projected to be risen until 2026, and will need all the utilities and distribution networks offered by Resul. Therefore an agent near the enterprises involved in the project could be beneficial. Nevertheless Resul in Portugal should also make an effort to develop partnerships with the construction companies and installers from Portugal operating in the Equatoguinean market<sup>23</sup>. This channel probably would create more long lasting and profitable relations.

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<sup>23</sup> See Exhibit T – Potential Partners and installed players in Equatorial Guinea in the Construction Sector.

#### 5.4 Partnerships and Collaborative Arrangements:

In alignment with the TOWS analysis the type of partnerships that would most suit Resul would be with companies that could relieve them from one of their main weaknesses: lack of competences in installation and maintenance services. This might be assured by construction companies operating in the market that provide this kind of services. Other fact that should also be highlighted is that there are some Portuguese construction companies already operating, or trying to start operating in the market that could turn into potential clients/partners, and would be more easily approached than foreign companies, as referred before. This could be positive for both players since it would quell a downside from each one: the construction companies would have a supplier for their needs and a diversified portfolio to choose from in complementary material, while Resul would diversify its distribution channels and have an entity that would take care of the installation services, and decrease its dependency on deals with companies where corruption is an installed and almost accepted issue.

#### 6. Mode of Entry:

Having in consideration the TOWS analysis and the objectives of Resul to increase revenues, minimizing risk and diversifying markets, the mode of entry that would most suit the company for this market would be the exports, in a short-run frame. Only after the market validation and the rising number of total businesses involved, a more ambitious type of entry should be analyzed. The following table summarizes the advantages and disadvantages of the two types of exports proposed (Direct/Indirect):

Entry Mode	Advantages	Disadvantages
<b>Direct Exports:</b> Apply to be a supplier of a public Investment Project	-Deeper learning about the market through the agent; -Building a position in the short list of the market regulators;	-Dependency on the agents; -Higher percentage on margins shared; -Dealing with corruption issues.
<b>Indirect Exports:</b> Approaching companies that have already been assigned to those infrastructural construction projects	-Minimize Risk; -Less dependency on the agents; -Build of long term relations; -Use of existing negotiating capacity.	-Possible divergence with the partners on multiple subjects; -Dependency on the other companies' ability to win the projects;

Table 4 - Analysis of the Advantages of Entering the market with Direct or Indirect Exports

## 7. Risk Analysis:

According to the EIU in November 2011 the risk level in Equatorial Guinea is in general classified as Stable, being the evaluation of its subsectors as follows:

Nov. 2011	Sovereignty Risk	Currency Risk	Banking Sector Risk	Political Risk	Economic Structure Risk	Country Risk
	B	B	B	CC	B	B

Table 5 - General Risk Analysis by the Economist Intelligence Unit

The following topics are the three main ones that can affect more directly Resul's operations in the country, both in a short and medium-long run:

**Political System stability:** A factor that can affect the political stability in Equatorial Guinea in the next years is the elderly of its president since 1979, Teodoro Obiang Nguema Mbasogo, which is now 69 years. Bearing in mind what happened recently with the Northern African States, which were in dictatorships- the Arab Spring- this might be the more unstable side of the country, since revolutionary periods tend to be a deep cut with the past and to pass through a time of implementation of radical ideas against the installed order. This would be one of the reasons why Resul should diversify its distribution channels and not rely solely in the negotiation and supply of the regulators. The partnerships presented before would be a way to share the risk with other companies and minimize its impact on Resul's performance.

**Taxation:** As presented also in the PEST analysis, taxation is not a problem in the short run but can turn into a concern in the medium or long run. This arises from the fact that if the development path is well followed within the country and the region, a possible number of competitors with advantageous fiscal conditions can start operating and going head to head with the foreign companies in the market. In response to this fact, Resul should consider, after validation of the market, the possibility to create a Start-Up or make a Greenfield Investment in order to have the same benefits against home companies, and a competitive advantage against the foreign ones.

**Corruption:** As shown before, most of the reputed international public corruption studies classify Equatorial Guinea in the top of the countries with highest levels of corruption in the world. This fact might be highly damaging to the world of business opportunities that the market offers, being this the main reason that having the right agent working in this market is crucial to the success of not only Resul but any company in the country. Managing well the agent's knowledge could be a way to go around this problem, and understanding that both the agent and Resul will probably have to be prepared to share part of the margins in order to deal with the regulators.

## 8. Implementation Plan and Monitoring – 4Ms Model:

The framework presented below aims to describe the Human Resources, the timeline, and the costs needed to tackle the market opportunity of Equatorial Guinea and a set of measurements to evaluate and monitor its implementation.

**Men:** The Human Resources required to tackle the market in Equatorial Guinea are merely one to two Sales Agents with a strong network of contacts and knowledge about the market. The following table describes their main tasks:

Tasks: 1 to 2 Sales Agents
<b>1:</b> Transmit their understanding about the market, players in the industry, potential partners and competitors to Resul;
<b>2:</b> Scout for business opportunities and conditions, and develop their network of contacts for the benefit of Resul, both with the state-owned companies and regulators and also with the companies operating in the market involved in the big public expenditure projects that Resul could approach;
<b>3:</b> Present Resul's business proposals for the different projects and advise with which margins to go, and the best way to present them;
<b>4:</b> Provide a monthly plan of activities and contacts as well as report the activities developed in the previous month.

**Table 6 - Sales Agents tasks in Equatorial Guinea**

A second agent, in the continental part, would have the additional key task of assessing the possibilities of having Resul involved in the expected 200M€ project of the construction of Djibloho, which could grant revenues for a longer period of time.

On the side of the development in the partnerships with the Portuguese construction companies present in the market (further developed in the point 5.4), it should be

responsibility of the members of Resul in Portugal and its Exports Department, which for this reason would not be considered in the presentation of the Implementation plan.

**Minute:** The following table presents the expected set of activities for the next three years for the implementation of this internationalization plan of Resul in Equatorial Guinea<sup>24</sup>:

Activities	Starting Date	Ending Date	Dependency
1. Get Visa	January 2012	December 2012	-
2. Approach Potential Companies operating in the market	January 2012	-	-
3. Visit to select Agent <sup>25</sup>	January 2013	February 2013	1
4. Training of the agent	February 2013	April 2013	1,2
5. Monthly report and feedback to the agent	April 2013	-	1,2,4
6. Start Commercial and Networking Contacts	April 2013	-	1,2,4,5
7. Visit to the Agent	Every 6 months		1,3
8. Assessing the need for a second Agent*	January 2014	February 2014	All before
9. Install a new Agent*	March 2014	June 2014	8
10. Participation in Fairs	All possible ones		All before

**Table 7 - Timeline and activities to follow in order to Resul starts operating in Equatorial Guinea**

The activities 8 and 9 are dependent if the company performs beyond its initial capacity in this market, or if the participation on the project Djibloho turns to become a very good hypothesis<sup>26</sup>. Important also to mention is that activities 1, 2, 3, 4, and 6 are the key milestones that would require an extra effort from the company.

**Money:** Since the market is very uncertain, it will be considered only a cost analysis of entering in the market, disregarding the revenues that come from it, being therefore an analysis more related to the fixed cost of operating in Equatorial Guinea. Also, it cannot be predicted with a high degree of confidence which area of Resul's well diversified portfolio of products will better perform, and therefore it turns very difficult to predict revenues or costs of goods sold. According to the company and its experience in similar markets it should be expected to have the first orders in the space of one month to one year after the agent starts its commercial contacts. The fixed or semi-fixed costs of operating through the next 3 years are presented in the following table:

<sup>24</sup> This plan considers a year 0 in 2012 to take care of legal issues and visas, and the year 1 in 2013

<sup>25</sup> According to Resul the time of selecting and training the agents varies from one to four months. Bearing in mind a precautionary principle it will be assumed a time for these activities of 4 months.

<sup>26</sup> To consult also the chronogram please refer also to Exhibit U – Chronogram of the Implementation Plan.

Money	
Year 1:	
Visit to know the market and the agent	1.700,00 €
Expenses with training	15.000,00 €
Presence in fairs <sup>27</sup>	3.262,50 €
Visits to the agent	3.400,00 €
Year 2:	
Presence in fairs	3.262,50 €
Visits to the agent	3.400,00 €
Preparation of the second agent*	15.000,00 €
<b>Total</b>	<b>45.025,00 €</b>

**Table 8 - Predicted costs in Equatorial Guinea**

After the Year 0 where the legal constraints to enter in the market have to be solved, it is assumed that Resul can start operating in the market. To compute the value of the first visit it was considered a two-way flight of 1,200€ to Malabo, plus living expenses in the country of 500€. The same principle is

applied to compute the two visits per year to the country. The training expenses consider, according to Resul, flight expenses and mutual knowledge, while the training does not represent a cost to the company since its usage of installed capacity. Still worth to mention in this topic is that the expenses and the preparation of the second agent will only occur if it is evaluated that only one agent is not enough to the whole market.

**Memo:** The following table presents the measures that should be taken in consideration in order to monitor the success of the implementation plan in Equatorial Guinea in alignment with the Objectives of the company – mainly the external ones -, the TOWS analysis, the Money and Minute analysis and selected Key Performance Indicators:

Strategic Objectives	Objective	Measurements	Target	Initiative
<b>Financial</b>	-Expand Sales -Increase Customer base -Lower the weight of Angola in the company's turnover. -Enter in the Djibloho Project -Increase exports to 85% of Company's revenues -Increase Profitability in 24.5%	-Profitability -Number of Clients -Sales Revenues -Revenues of Angola vs Revenues from the other markets.	-Margin between 8-12,5% -Reach 200.000€ of revenues in the second year of activity in Equatorial Guinea.	-Regular contacts with state-owned regulators -Contact potential partners/clients starting in 2012
<b>Customer</b>	-Customer Satisfaction -Ensure customer loyalty -Participate in fair to show P&S -Create long term relations with construction companies	-Number of complaints about the product -Increase the total and percent numbers of new businesses with old clients	-Less than 5% complaining rate -Loyalty rate higher in Equatorial Guinea higher than in other markets.	-Continuous product certification -Follow up of clients
<b>Internal</b>	-Diversify source of revenues -Diversify distribution channels	-Number of supplies to State-owned companies	-Achieve more balance number in terms of weight between	-Target and promote in the two different business channels

<sup>27</sup> Computed as the average costs of participating in the fairs of Angola and Mozambique in 2010 (3,557€ and 2,968€ respectively), and assumed the participation of one fair per year.

	-Increase in value the number of collaborative arrangements -Lower time of entry in the market	-Number of supplies to construction companies	businesses with companies and regulators -Entry by 2013	-Have a year 0 to deal with all legal requirements.
<b>Learning</b>	-Knowledge about the market and competitors -Increase internal skills on dealing with corruption -Cost savings in the 2nd agent*	-Channel to find out about projects. -Expected margins asked by the agents -Cost of the agent	-Gradually lower the projects known through the agent. -Difference between expected and asked margins by the agents -% cost savings in setting 2nd agent	-Close monitoring of the market, the agent and its behavior. -Deep understanding of the agent setting costs

**Table 9 - Memos table divided in Financial, Customer, Internal, and Learning Objectives**

## 9. Conclusions and Recommendations:

After this market research and analysis it is possible to conclude that Resul has a good business opportunity in the Equatoguinean market. The fitness of Resul with the market is related with the alignment of their core resources, objectives, strategy and business model, with the energetic needs that are arising in the country that are hand in hand with its government strategy to stimulate sectors outside the oil and gas industry, through the plan “Horizon 2020”. However the market presents also some downsides, mainly due to three important factors: the barriers to entry are difficult to surpass - getting a visa to enter in the country, to choose the agent and start operating is a slow process, and even after entering in the country the taxation that foreign products are subjected to is really heavy; the Chinese heavy presence and the regulators relations with French and Spanish companies (Infinsa, France Telecom, Total, ...) could present a disadvantage against companies from those countries; and finally the corruption in the public sector installed in the country. Nevertheless these are situations that Resul had already dealt with in other of their markets in Africa, which gave them the expertise to know how to go around these obstacles. The following table presents a comparison of different African markets where Resul operates and is enjoying a relative success with the one of Equatorial Guinea:

	<b>Eq. Guinea</b>	<b>Angola</b>	<b>Mozambique</b>	<b>Cape Verde</b>	<b>S. Tomé Príncipe</b>	<b>Burundi</b>
<b>GDP per capita 2010 from the World Bank</b>	34,475	6,035	935	3,954	1,880	405

(in US\$)							
<b>GDP growth in 2010 (%)</b>		-0.82	1.61	7.01	5.41	4.50	3.85
<b>Imports in Resul's Business Areas (2009)</b>	<b>%</b>	8.79	22.86	10.51	12.73	11.01	18.38
	<b>Total value (€)</b>	90,281,000	457,336,000	63,133,000	14,075,000	1,225,000	4,822,000
<b>Resul Revenues in 2010 (€)</b>		-	5,328,924 <sup>28</sup>	2,588,553	897,789	40,000	- <sup>29</sup>
<b>Doing Business Index Ranking 2012</b>		155 <sup>th</sup>	172 <sup>th</sup>	139 <sup>th</sup>	119 <sup>th</sup>	163 <sup>th</sup>	169 <sup>th</sup>
<b>Economic Freedom Index 2011</b>		Repressed (47.5)	Repressed (46.2)	Mostly Unfree (56.8)	Moderately Free (64.6)	Mostly Unfree (49.5)	Mostly Unfree (49.6)
<b>Global Peace Index 2011</b>		2.041	2.109	1.809	-	-	2.536
<b>Perceived Corruption Index 2011</b>		1.9	2	2.7	5.5	3	1.9
<b>Country Risk by EIU 2011</b>		B	B	B	-	-	-

**Table 10 - Comparison of Selected Markets of Resul in Africa in Key Indicators**

As it is possible to observe in the table above, when comparing the markets, the one of Equatorial Guinea is not different from the main ones in the continent in terms of, for instance, Perceived Corruption, Peace within the country, Economic Freedom, or in the Doing Business Index. Cape Verde seems to be the only one to differentiate. Therefore the learning experience of Resul in the other similar markets could be a capability that would make a difference between a successful entry or not. Looking at this information, it is possible to state with a high degree of confidence that if the right strategy is chosen to approach this market, and it is well implemented, the market of Equatorial Guinea might turn into one of the top three of Resul in Africa.

The implementation of the strategy, apart from the contacts with the companies by the existing Resul structure, depends heavily in the selection of the agent, and the network of contacts and knowledge about the market from this one. It should be an activity that Resul concentrates a lot of effort finding some sort of a perfect match between both, and monitor closely his activity at least in the first two years in the market. Concerning the

<sup>28</sup> This was a very abnormal year in Angola since during part of the year projects of public expenditure stopped. The average revenues granted from the Angolan market are between 8-9M€ per year.

<sup>29</sup> Due to the respect of accounting rules within the company, revenues from Burundi will only be imputed to the year of 2012, nevertheless Resul is already operating in the market.



channel of approaching construction companies already operating in that market, it is important to highlight that there are a lot of potential players that would suit perfectly Resul's strategy of entering in the market, as previously mentioned in this work. These ones could minimize both the risk and one of Resul's key weaknesses, the lack of installation capabilities, and also create long term profitable relations for both parts. To conclude, it seems to exist an alignment between Resul's strategy, Business Model and the Products and Services offered with the market of utilities in Equatorial Guinea and its financial power, and therefore there is a good chance for the company to achieve its strategic objectives and vision by entering in this market.

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## ***Book of Related Exhibits***

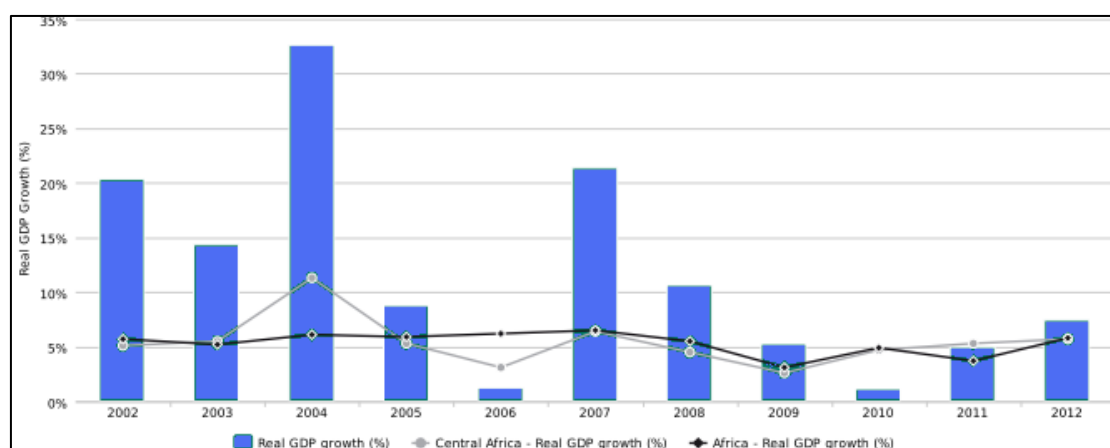
## Exhibit A – Brief Macroeconomic Profile of Equatorial Guinea:

General Data	
Total Area	28.052 Squared Meters
Population	1.014.999 (census 2001)
Life Expectancy	59.5 years
Monetary Unit	CFA Franc (parity fixed with the Euro)
Official Languages	Spanish, French and Portuguese
Chief of State	Teodoro Obiang Nguema Mbasogo
Prime Minister	Ignacio Milam Tang
IDH 2011	0.537 (41st in Africa)
GDP per Capita	US\$ 34.475 (Highest in Africa)
Expected GDP Growth (2012)	3.2%
Expected Inflation Rate	6%
Country Risk 2011 (EIU)	B



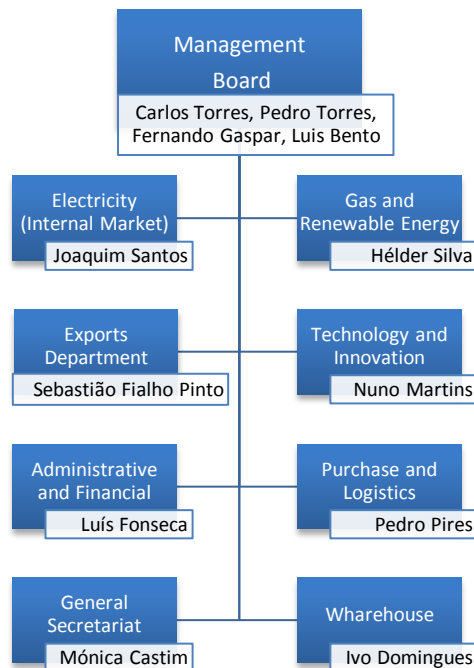
Main Products Commercialized (ITC Data from 2009)			
Exports		Imports	
	%		%
Mineral fuels, oils, distillation products, etc	97.3	Mineral fuels, oils, distillation products, etc	66.85
Organic chemicals	2.0	Boilers, machinery; nuclear reactors, etc	8.99
Non-classified commodities	0.37	Electrical, electronic equipment	4.71
Wood and articles of wood, wood charcoal	0.19	Articles of iron or steel	3.11

GDP Growth compared with other countries in Africa:



Sources: Ministerio de Planificacion, Desarrollo Economico e Inversiones Publicas, World Bank, International Monetary Fund, International Trade Centre, AICEP-Portugal Global

## Exhibit B – Resul Organizational Structure:



- Actual Number of Employees: 43
- Local Infrastructures: Angola, Mozambique, Cape Verde

## Exhibit C – Products Offered by Business Area:

### C.1 - For Electricity and Energy Distribution:

- High Voltage (HV), Medium Voltage (MV) and Low Voltage (LV) substations;
- Equipments for aerial and underground networks LV/MV/ HV lines;
- Switchboards, distribution cabinets and telecounting;
- Meters and other measuring and control devices;
- Complete packages for all kinds of rural or urban electrification contracting;
- Automation solutions and intelligent protection to MV networks.

### C.2 - For gas distribution networks (natural gas and LPG):

- General break valves and break to the equipment;
- Accessories and equipment for primary and secondary distribution networks;

- Pressure regulators of natural gas ( 2° and 3° reduction floor) and LPG (1° and 2° reduction floor);
- Copper piping and respective accessories;
- Meters and other measuring and control devices;
- Complete transformation packages for natural gas equipment.

### **C.3 - For telecommunication networks:**

- Optical solutions and Carrier Ethernet to Metro Ethernet networks;
- Wireless solutions – WIMAX (4G).

### **C.4 - For lighting networks:**

- Complete luminaries for rural, suburban and urban public lighting;
- Various lighting accessories;
- Poles and brackets for holding luminaries.

### **C.5 - For distribution water networks:**

- Regulation and security accessories for consumption networks;
- Piping and polyethylene accessories to distribution networks;
- Flow break and regulation valves.

### **C.6 - Products for Renewable energies:**

- Solar systems in thermo siphon packages;
- Solar systems in constrained circulation;
- Integrated systems for house-building;
- Production of Integrated systems for sanitary heated water plus pools heating.

### **C.7 - Products for Central Heating:**

- Wall-mounted and floor-standing gas or fuel oil boilers;
- Break and regulation valves;
- Security accessories for sanitary heated water networks.

## **Exhibit D – Official Vision and Mission:**

### ***Vision:***

Resul, in its area of business, wants to be increasingly happy, creative, pro-active, effective and sustainable.

### ***Mission:***

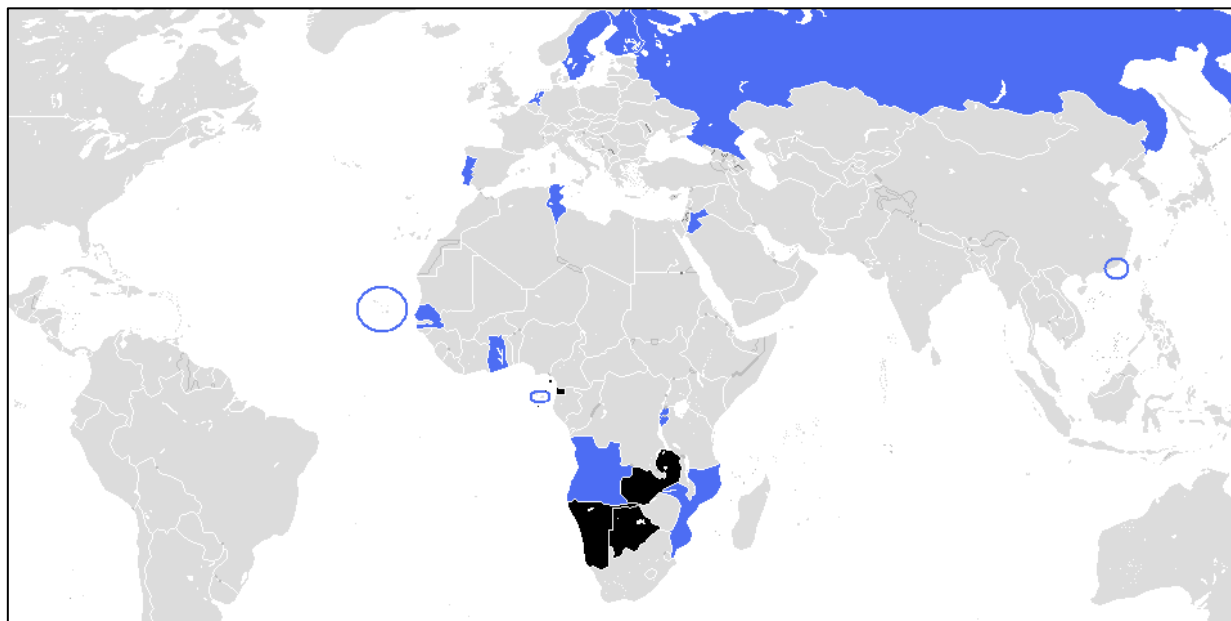
Resul conceives, develops, produce and commercialize equipment solutions of energy transportation and distribution, as well as other sources of social well-being (as for instance public lightening, telecommunications and waters), increasing its business activity trough the expansion of its internal and external network of partners.

## **Exhibit E – Strategic Objectives of Resul, Equipamentos de Energia SA:**

Resul, Equipamentos de Energia SA, has the following Strategic objectives for the period of 2010-2013:

- Revenues of 25.000.000€ per year;
- Earn and establish a position between the 150 Top SMEs in Portugal (Award granted by Exame Magazine);
- Being awarded with the Excellence Certificate for SMEs;
- Achieve an EBIT superior to 1.500.000€ per year;
- Lower by 33% the weight of Human Resources in the Gross Added Value;
- Increase Work Productivity;
- Create a new Assembling Unit in Maputo, Mozambique;
- Create a new Assembling Unit in Luanda, Angola;
- Search for Business opportunities in the area of High Speed Trains (TGVs);
- Increase commercial area in Angola outside Luanda.

### Exhibit F – Main Destinies of *Resul*'s Exports:



In this map there are highlighted in blue the countries with which Resul has more frequent commercial activities, while in black there are signaled four of the three new markets that the company aims to internationalized until the end of 2013: Botswana, Equatorial Guinea, Namibia and Zambia.

### Exhibit G – Resul Financial Documents for the period 2008-2010:

#### G.1 – Statements of Profits and Losses 2008-2010:

	2010	2009	2008
<b>Profit &amp; Loss account</b>			
Operating revenue (Turnover)	17.474.169	19.604.290	18.607.721
Sales	17.278.274	18.944.866	17.654.097
Costs of goods sold	n.a.	n.a.	n.a.
Gross profit	n.a.	n.a.	n.a.
Other operating expenses	n.a.	n.a.	n.a.
Operating P/L [=EBIT]	1.139.046	2.202.680	1.491.616
Financial revenue	90.496	345.471	486.600
Financial expenses	254.788	515.356	937.783
Financial P/L	-164.292	-169.885	-451.183
P/L before tax	974.754	2.032.795	1.040.433
Taxation	228.599	465.109	276.934
P/L after tax	<b>746.155</b>	<b>1.567.686</b>	<b>763.499</b>
Extr. and other revenue	n.a.	8.241	56.316
Extr. and other expenses	n.a.	447.942	107.241
Extr. and other P/L	n.a.	-439.701	-50.925
P/L for period [=Net income]	<b>746.155</b>	<b>1.127.985</b>	<b>712.574</b>



## G.2 – Balance Sheets for the period 2008-2010:

	2010	2009	2008
<b>Assets</b>			
Fixed assets	1.875.920	1.200.958	1.345.266
- Intangible fixed assets	17.354	6.350	6.600
- Tangible fixed assets	993.651	811.664	846.011
- Other fixed assets	864.914	382.944	492.655
Current assets	12.926.974	15.617.991	13.823.954
- Stock	1.892.426	2.002.777	1.988.294
- Debtors	10.174.656	12.986.862	11.037.732
- Other current assets	859.889	628.352	797.928
* Cash & cash equivalente	859.889	569.505	745.323
<b>Total Assets</b>	<b>14.802.894</b>	<b>16.818.949</b>	<b>15.169.220</b>
<b>Liabilities &amp; Equity</b>			
Shareholders funds	<b>5.193.417</b>	<b>4.186.531</b>	<b>3.228.546</b>
- Capital	1.500.000	1.500.000	1.500.000
- Other shareholders funds	3.693.415	2.686.531	1.728.546
Non-current liabilities	1.067.080	902.017	611.329
- Long term debt	1.064.580	902.017	611.329
- Other non-current liabilities	2.500	0	0
* Provisions	n.a.	0	0
Current liabilities	8.542.396	11.730.400	11.329.345
- Loans	4.634.240	4.722.722	4.497.640
- Creditors	3.314.795	5.528.046	5.072.760
- Other current liabilities	593.359	1.479.632	1.758.945
<b>Total Liabilities &amp; Equity</b>	<b>14.802.894</b>	<b>16.818.949</b>	<b>15.169.220</b>

Source: Amadeus – European Company Database

## Exhibit H – Industry Mapping Analysis in detail:



In this industry Suppliers have two important relations, both from a commercial specifics, being them with Resul, which besides the producers owned by them – Mozul, Fisola, and Promocel – rely also on other suppliers, being two examples of them the ones mentioned: ITB and ITRON. These ones can be also competitors in some markets of suppliers of these ones.

The Regulatory Entities in the market are mainly of the type presented in the figure: State entities that have an important role in the decisions taken by the regulators of the market of utilities. The government decides for instance the amount of public budget that will be given to these regulators to execute and pay public expenditure projects.

The Certification Agencies play an important role also: they have the power to authorize or not the products to be used and/or produced. The European Union, BIVAC, and SGS have already certified Resul and its products. In order to operate in the market Resul's products will also have to meet the criteria of ECCAS.

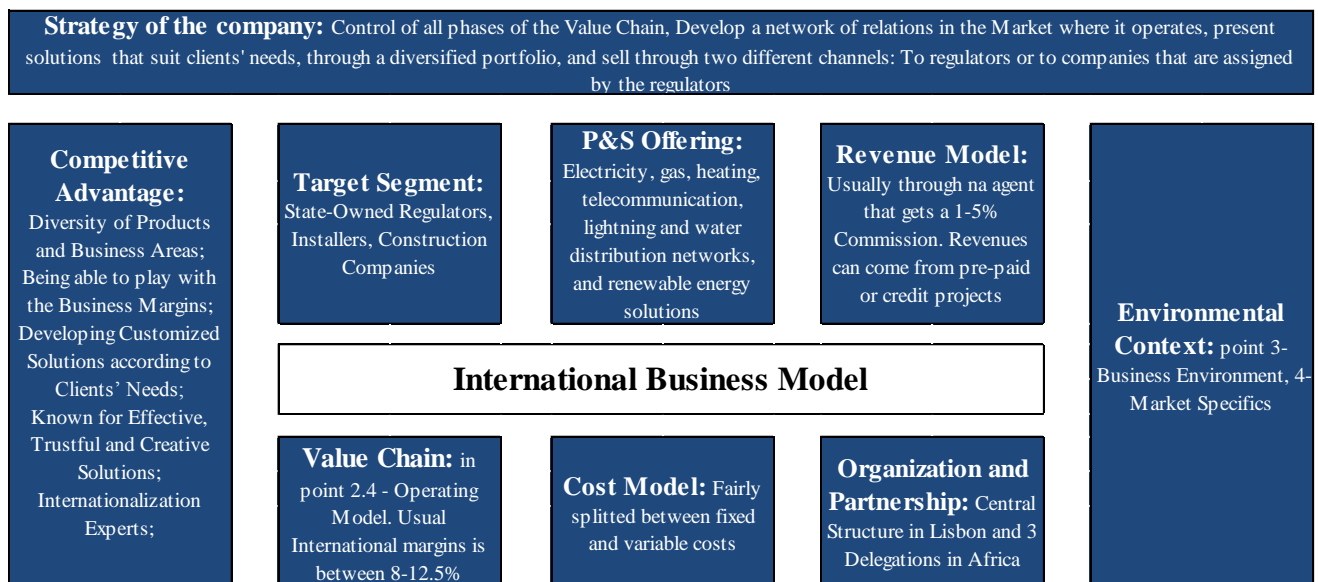
As stated in the point of competition there is no direct competitor to Resul in all its Business Areas at the same time, but instead a competition product by product. As an example ITRON is a competitor of Resul in electricity transformers, and SICAME is a competitor in the areas of renewable energies and Telecommunications.

Partners in this industry might be even clients as the construction companies, like the Portuguese Soares da Costa which is in the market or the company Finertec. Promoters can be classified as the ones who organize the fairs of this sector in order to promote suppliers.

The Distributors are the ones that help Resul to reach the final Clients, and could so varied as for instance Lusocarga that is in charge of the transportation of the products by sea, or even the agents in the market that promote the contacts with the regulators.

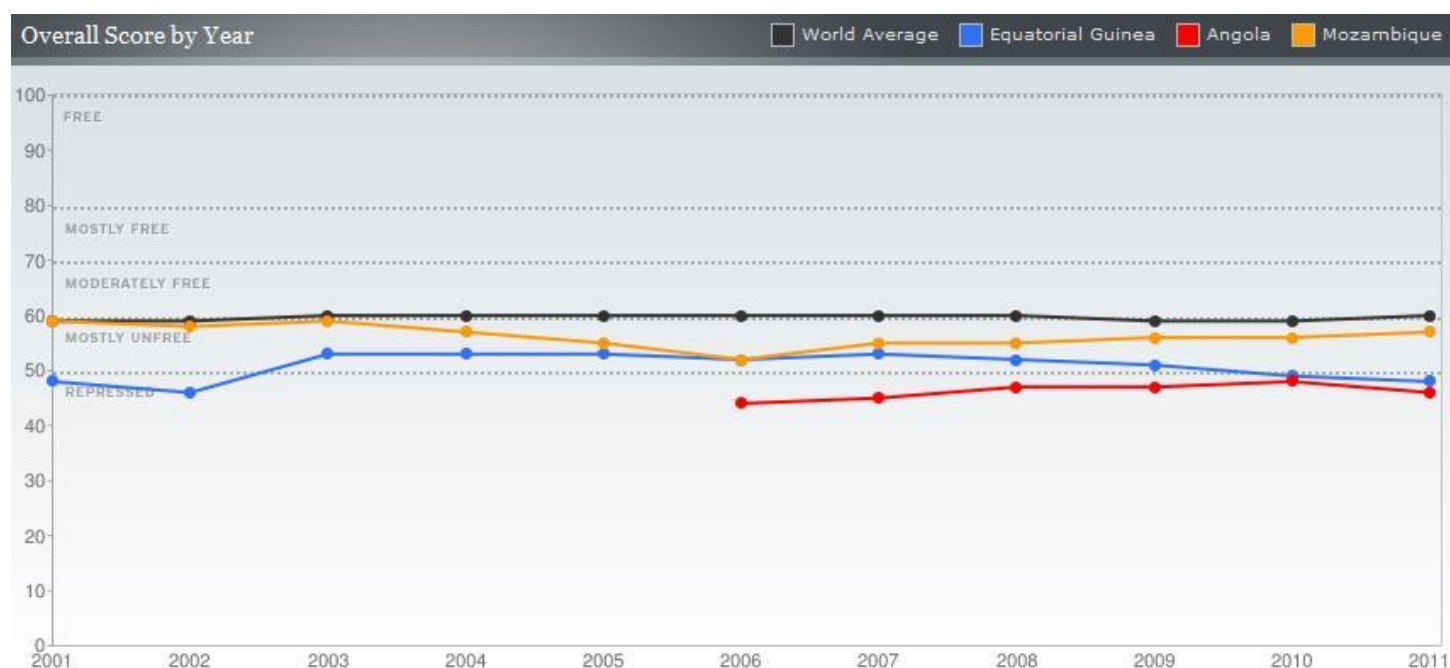
Finally the Clients are from three main types: the State-owned regulatory entities like SEGESA for the electricity, or Sonagás for the gas industry; Installers that Resul supplies with its products for them to finish a project; or the construction companies that win the official public tenders.

### Exhibit I – Presentation and Analysis of Resul’s Business Model:



The presented framework, proposed by Prof. Filipe Castro Soeiro, aims to be a brief approach to the Business Model Analysis of Resul. Nevertheless for a full understanding of it a much deeper analysis should be conducted.

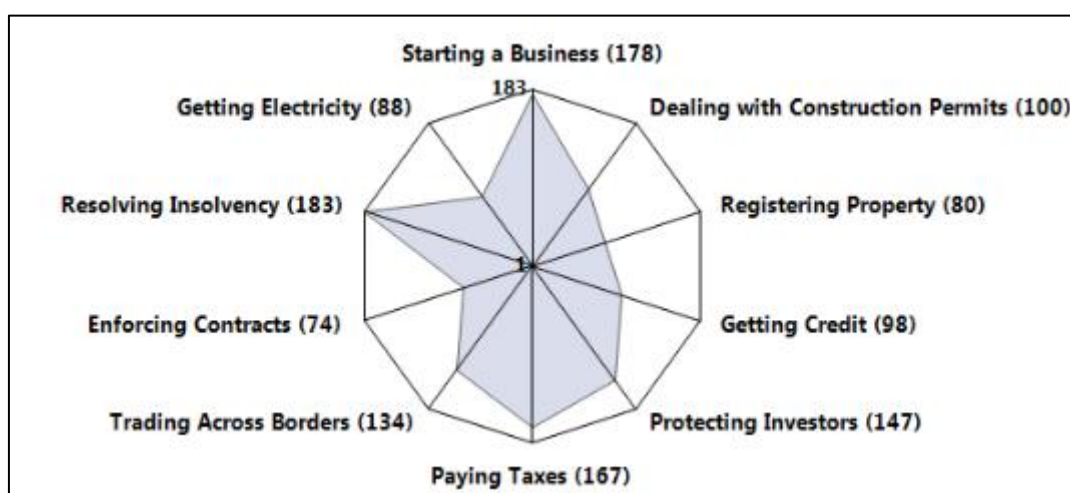
## Exhibit J – Evolution of the Economic Freedom Index in Equatorial Guinea compared with Angola, Mozambique and the World Average:



Indicators used in the IEF 2011, and Equatorial Guinea Score:	
Business Freedom	Repressed
Trade Freedom	Repressed
Fiscal Freedom	Mostly Free
Government Spending	Free
Monetary Freedom	Mostly Free
Investment Freedom	Repressed
Financial Freedom	Repressed
Property Rights	Repressed
Freedom from Corruption	Repressed
Labor Freedom	Repressed

Source: Heritage Foundation, Report on Economic Freedom 2011

## Exhibit K – Doing Business 2012 Index – Equatorial Guinea



Source: Doing Business Index for Equatorial Guinea – World Bank Report 2011

Especially interesting to Resul is the indicator of Trading Across Borders since it will be the mode of entry proposed by this plan – Direct and Indirect Exports -. Within these indicators the Doing Business 2012 Index gives the following information:

Export Procedures	Duration (days)	US\$ Cost
Documents preparation	14	295
Customs clearance and technical control	10	97
Ports and terminal handling	2	660
Inland transportation and handling	3	359
Totals	29	1,411

In the case of the documentation needed the Index states the following ones:

- Bill of Lading;
- Certificate of Origin;
- Commercial Invoice;
- Custom Declaration;
- Exporter registration certificate;
- Packing List;
- Technical Standard/Health Certificate.

Nevertheless since Resul wants to operate with an agent in the market and wants to visit the country first to know him/her, there will be considered a year 0 in the implementation plan to deal with this issue and with other legal constraints.

#### **Exhibit L – Interest Rates in Equatorial Guinea in 2006 and 2007:**

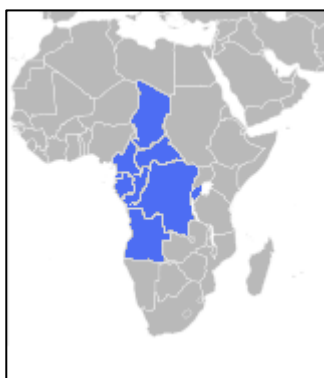
<b>Rates</b>	<b>2006</b>	<b>2007</b>
Lending Interest rate	15.3%	15.0%
Deposits Interest rate	4.3%	4.3%
Discount Rate	5.3%	5.3%

Source: Banque des Etats l'Afrique Centrale (BEAC).

#### **Exhibit M – Equatorial Guinea as a member of the Pool Energétique de l'Afrique Centrale (BEAC):**

An additional factor that shows the importance given in Equatorial Guinea to a reliable and safe electrical distribution network is its membership in PEAC, an organization with 9 members, focused on:

- Ensure safety of the electrical supply of the member-states;
- Increase reliability of the electrical distribution networks;
- Increase the electrification rate in the member-states;
- Manage hydro electrical potential in the region;
- Establish a free market for electricity;



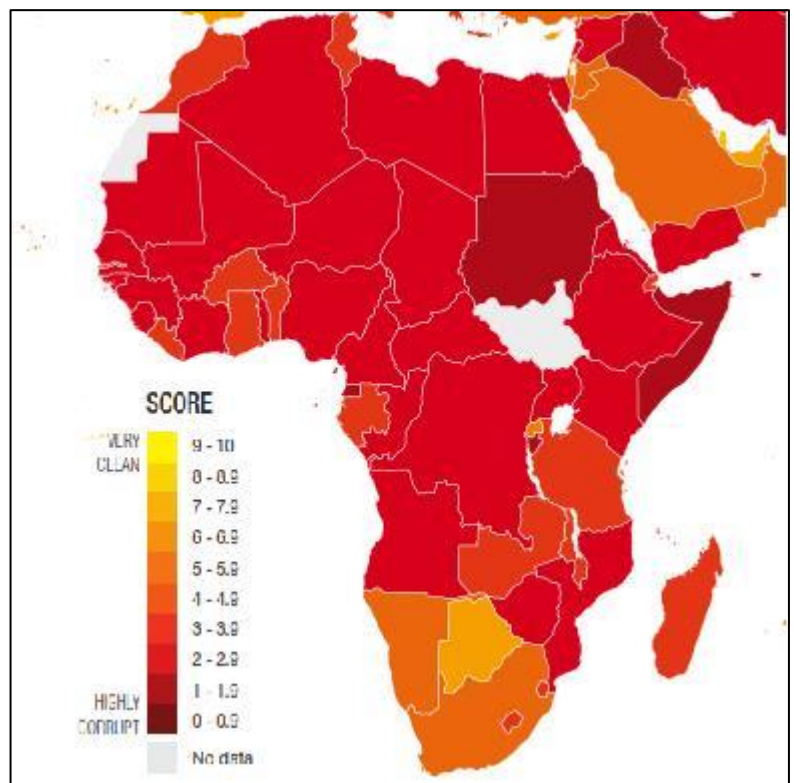
A reliable electrical network is seen by the members of PEAC as a way to grant more FDI, essential to the development of these countries. In the map presented there are signaled in blue the members of PEAC, where it can be highlighted Angola and Burundi, countries where Resul already operates.

## Exhibit N – The Corruption Perception Index in Detail:

The Corruption Perceptions Index ranks countries/territories based on how corrupt their public sector is perceived to be. A country/territory's score indicates the perceived level of public sector corruption on a scale of 0 - 10, where 0 means that a country is perceived as highly corrupt and 10 means that a country is perceived as very clean. A country's rank indicates its position relative to the other countries/territories included in the index. The following table presents the scores of the countries to which Resul exports, operates and maintains commercial relations in Africa:

Country Analyzed	CPI Score 2011
Equatorial Guinea	1.9
Angola	2.0
Mozambique	2.7
Cape Verde	5.5
Burundi	1.9
Sao Tomé and Príncipe	3.0
Tunisia	3.8
Ghana	3.9
Senegal	2.9
Zambia	3.2
Botswana	6.1
Namibia	4.4

Source: Corruption Perception Index 2011 Report. On the left, from the same source is the map of the CPI scores in 2011 for the whole African continent.





## Exhibit O – Maritime Ports and Transportation Costs:

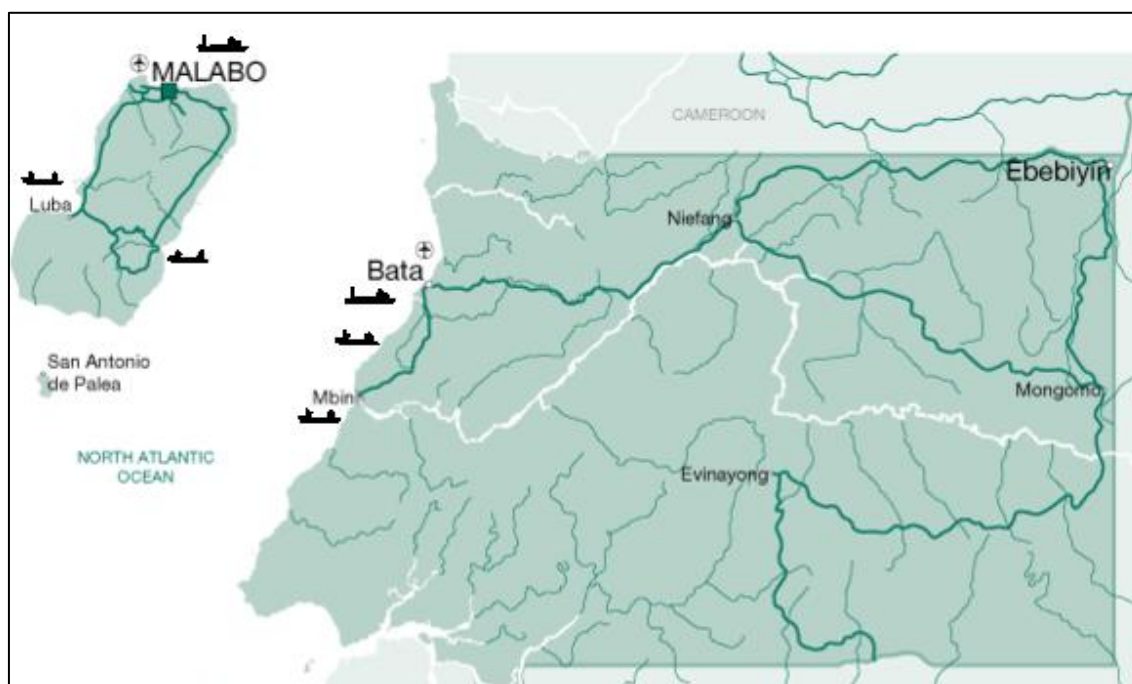
Destiny:	Malabo / Bata
20 feet container	3,310.00€
40 feet container	5,433.00€
Time	15 days

Source: Resul, Equipamentos de Energia SA – Exports

Department for Transportation Costs and African

Economic Outlook for Equatorial Guinea Country

map. The two commercial ports are the ones from Malabo and Bata.



## Exhibit P – Equatorial Guinea Imports in 2009 crossed with Resul's products:

Code Classification of Resul Products	Product Area Classification	% of Total Imports	Area Evaluated	Value imported in thousand €
39219090	39 - Plastics, and articles Thereof	0.68	3921	403
39269097	39 - Plastics, and articles Thereof		3926	4,201
73269098	73 - Articles of Iron or Steel	3.11	7326	8,638
82055980	82 - Tools, Implements, cutlery, etc. of base metal	0.29	8205	3,499
85043300	85 - Electrical, Electronic Equipment	4.71	8504	NA
85354000	85 - Electrical, Electronic Equipment		8535	7,613
85369010	85 - Electrical, Electronic Equipment		8536	5,560
85371099	85 - Electrical, Electronic Equipment		8537	20,964
85399010	85 - Electrical, Electronic Equipment		8539	319
85444995	85 - Electrical, Electronic Equipment		8544	39,084
Source: From the International Trade Center – Equatorial Guinea Import			Total Value	90,281,000.00€

Source: From the International Trade Center – Equatorial Guinea Import Profile by Areas 2009



## Exhibit Q - Identified Formal and Potential Competitors Globally:

Company	Competing Business Areas and Products with Resul	Country of Origin	Observations
Sinohydro Group, Ltd	Electricity, Renewable energy, Real State, E&M, among other less relevants	China	Already operating in the market with good and big projects in hand such as Bata Power Grid Renovation & Expansion Project or the Djibloho Hydroelectric plant
TYCO International	Flow Control, Water and Thermal Solutions.	USA	Leading global manufacturer and marketer of valves and controls, water and environmental systems, and thermal control solutions for vital industries.
SICAME Group	Energy distribution, electrical safety, overhead and underground distribution networks, Telecommunications and renewable energy.	France	The group is focused mainly in the electrical area and has been growing through international expansion and internally through acquisition. Export to over 120 countries, and have supporting infrastructures in 23.
ITRON Group	Material for Water, electricity and communication networks	France	Group that grew through mergers and acquisitions over its 100 years of existence
Niled	Electricity accessories for distribution, and Telecommunications networks	France	Heavy presence in France and starting to become a more international player. Very focused on the electrical accessories areas.
Siemens	Electricity, Lightning and Communication Networks	Germany	Worldwide presence with state-of-art solution and the highest brand recognition from the companies presented above

## Exhibit R – SWOT Analysis:

	Strengths	Weaknesses
<b>Internal Factors</b>	<ul style="list-style-type: none"> <li>-Diversity of Markets, Products, and Business Areas;</li> <li>-Internationalization Experts;</li> <li>-Control of all phases of the Value Chain;</li> <li>-Innovation and adaptation to Clients' needs;</li> <li>-Certifications (ISO, BIVAC, ...);</li> <li>-Possibility of being considered both a Producer and a Distributor;</li> <li>-Experience in similar markets</li> <li>-Ability to play with Business Margins.</li> </ul>	<ul style="list-style-type: none"> <li>-Unavailable to provide Maintenance Services;</li> <li>-Unavailable to provide Instalation Services;</li> <li>-Scarce Financial Resources;</li> <li>-Capacity from Promocel factory (key to internationalize).</li> </ul>
	Opportunities	Threats
<b>External Factors</b>	<ul style="list-style-type: none"> <li>-Market in Expansion;</li> <li>-Plan "Horizon 2020";</li> <li>-Construction of a new Capital in Rio Mundi;</li> <li>-Weak utilities Distribution Network;</li> <li>-Financial Capacity of the Country;</li> <li>-Monetary Stability to the Euro.</li> </ul>	<ul style="list-style-type: none"> <li>-Heavy Taxation;</li> <li>-Political Systemand Corruption;</li> <li>-Regulators Relations with French and Spanish companies;</li> <li>-Other Players trying to enter in the market;</li> </ul>

Table 11 - SWOT Analysis of Resul in the environment of Equatorial Guinea

**Exhibit S – Equatorial Guinea Top Imports Partners in 2009 in the  
Areas of Resul's products:**

Area	Weight in Total Imports (%)	Top 5 commercial partners	Weight of Top 5 commercial partners in the area Total Imports (%)
85 - Electrical, Electronic Equipment	4,71	China, France, Spain, USA, Czech Republic	84,01
82 - Tools, Implements, cutlery, etc. of base metal	0,29	Spain, USA, China, France, Italy	73,58
73 - Articles of Iron or Steel	3,11	China, USA, Spain, Italy, France	83,8
39 - Plastics, and articles Thereof	0,68	China, Spain, France, USA, Italy	79,29

From the International Trade Center – Equatorial Guinea Import Profile by Partners 2009

**Exhibit T – Potential Partners and installed players in Equatorial Guinea in the  
Construction Sector:**

Company	Country of Origin	Operating
SOMAGEC	Morocco	Yes
Sinohydro Group	China	Yes
Bouygues	France	Yes
Rosslee Construction - General Works	UK	Yes
Arab Contractors O.A.O & Co	Egypt	Yes
China Roads	China	Yes
SEGUIBAT	Lebanon	Yes
ETERMAR	Portugal	Yes
Construtora do Tâmega	Portugal	Yes
Soares da Costa	Portugal	No (Entering)
MSF Engenharia	Portugal	No (Entering)
Vinci Construction	France	Yes

**Exhibit U – Chronogram of the Implementation Plan:**

